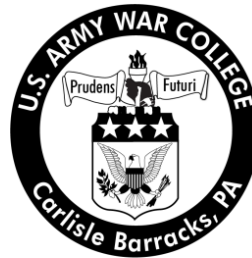


## Corruption in the PLA: Retarding China's Rise as a Great Power

by

Mr. Brian J. Sirois  
Department of Defense Civilian



United States Army War College  
Class of 2013

DISTRIBUTION STATEMENT: A

Approved for Public Release  
Distribution is Unlimited

This manuscript is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

The U.S. Army War College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

REPORT DOCUMENTATION PAGE				Form Approved OMB No. 0704-0188	
<p>The public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. <b>PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.</b></p>					
1. REPORT DATE (DD-MM-YYYY) xx-03-2013		2. REPORT TYPE STRATEGY RESEARCH PROJECT		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE Corruption in the PLA: Retarding China's Rise as a Great Power				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) Mr. Brian J. Sirois Department of Defense Civilian				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Professor Paul R. Kan Department of National Security & Strategy				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) U.S. Army War College 122 Forbes Avenue Carlisle, PA 17013				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION / AVAILABILITY STATEMENT Distribution A: Approved for Public Release. Distribution is Unlimited.					
13. SUPPLEMENTARY NOTES Word Count: 5,332					
<p>14. ABSTRACT China's drive to firmly establish itself as the regional hegemony in East Asia is facing increasing pressure from various sectors of their society. The People's Liberation Army (PLA), as the guardian of the Communist Party and the keeper of internal stability is not immune to these factors. Rampant corruption across the PLA and especially across its most senior leadership now threatens the very core values of the PLA. If left unchecked, this corruption and it's institutionalization in the PLA officer corps may even extinguish China's drive to become the dominant power in East Asia.</p>					
15. SUBJECT TERMS East Asia, Communist Party, Leadership					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT  UU	18. NUMBER OF PAGES  28	19a. NAME OF RESPONSIBLE PERSON
a. REPORT UU	b. ABSTRACT UU	c. THIS PAGE UU			19b. TELEPHONE NUMBER (Include area code)



USAWC STRATEGY RESEARCH PROJECT

**Corruption in the PLA: Retarding China's Rise as a Great Power**

by

Mr. Brian J. Sirois  
Department of Defense Civilian

Professor Paul R. Kan  
Department of National Security & Strategy  
Project Adviser

This manuscript is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The U.S. Army War College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

U.S. Army War College  
CARLISLE BARRACKS, PENNSYLVANIA 17013



## **Abstract**

Title: Corruption in the PLA: Retarding China's Rise as a Great Power

Report Date: March 2013

Page Count: 28

Word Count: 5,332

Key Terms: East Asia, Communist Party, Leadership

Classification: Unclassified

China's drive to firmly establish itself as the regional hegemony in East Asia is facing increasing pressure from various sectors of their society. The People's Liberation Army (PLA), as the guardian of the Communist Party and the keeper of internal stability is not immune to these factors. Rampant corruption across the PLA and especially across its most senior leadership now threatens the very core values of the PLA. If left unchecked, this corruption and its institutionalization in the PLA officer corps may even extinguish China's drive to become the dominant power in East Asia



## **Corruption in the PLA: Retarding China's Rise as a Great Power**

Corruption has its own motivations, and one has to thoroughly study that phenomenon and eliminate the foundations that allow corruption to exist.

—Eduard Shevardnadze

The prospect of China overtaking the United States hangs over American society like the “Sword of Damocles”. On an almost daily basis the global media provides a constant stream of indicators that China is or will soon overtake the United States in a variety of economic, political, societal, or military categories. These range from the medal count in the Olympics to the amount of money China spends on its military forces. Few societal factors have escaped scrutiny to date as researchers continue to provide ample evidence that China is aggressively increasing investments of time, money, and energy into the economic infrastructure of China but China's intense focus and financial commitment to modernizing its armed forces is what most alarms the United States as well as China's neighbors in Asia-Pacific.

Most military affairs analysts as well as Western intelligence agencies grossly underestimated the speed at which China is financially committed to this modernization. The People's Liberation Army (PLA)'s formal defense budget now sits at just over \$106 billion dollars which represents a four-fold increase in defense spending over the last decade.<sup>1</sup> While America and its allies were fighting in Iraq and Afghanistan, China was investing in its military. More defense money means more than just better military hardware. Very large amounts of money infused into an organization that is not accustomed to handling these volumes can lay the foundation for corrupt business practices. This is what has happened in China and specifically within the PLA. Concern

over China's deployment of its first aircraft carrier, for example, needs to be tempered by the same level of concern that rampant and systemic corruption is destroying the PLA from the inside. This paper attempts to explain the depth, breadth, and maturity of corruption in the PLA. It will examine the origins of this contemporary corruption, the steps taken by the Chinese government to combat corruption, and the future prospects for the PLA as a guarantor of China's role as a global power.

### China's Market Reforms

The maturing of corruption in China, both in the PLA and the countrywide, stems from several factors. Corruption, as a societal factor, is not unique to China or any other country. At a national level corruption can be found in every country from the Vatican to India. Nor is corruption the privy of certain forms of government or ideologies. Capitalism and Marxism, for example, both afford the individual acting alone or in a group, the opportunity to benefit from graft and corrupt practices. Corruption is always a possibility since the most important element in corrupt behavior is the role of the individual. Human beings possess free will which is the ability to do what society considers wrong in spite of being able to distinguish the difference between right and wrong. In 2010, President Hu Jintao stated that China must refocus its anticorruption efforts to address both the symptoms as well as the root causes of corruption.<sup>2</sup>

The introduction of market reforms and the growth of China's import/export market have allowed China to experience rapid economic growth for the past 30 years. This growth has been accompanied by the rapid explosion of foreign ideas that came initially from foreign contact and later through the information revolution via the Internet. These social processes are not confined to the economic sphere. As the senior Chinese leadership continues to discover, the ability to stem the flow of foreign ideas into select

channels of Chinese society is proving to be an impossible task. While China's policing of the Internet is often held up as an example of state control, it has largely been a series of delaying actions as the Chinese government has continued to yield ground to social media advocates.

The PLA traces its history and lineage from the Communist guerrilla army which successfully displaced Chang Kai-Shek and his Nationalist forces in 1949. The birth of the People's Republic of China (PRC) coincides with the birth of the modern PLA. Both entities have shared a common thread since 1949 with the PLA being the principal guarantor for the security and stability of the modern Chinese state. One can argue that although the Chinese Communist Party (CCP) served (and arguably continues to serve) as the ideological backbone of modern China it is the PLA which guaranteed the survival of the state (and by extension the CCP).

China's rise to prominence as a global power has been truly remarkable regardless of the measures used to describe it. Deng Xiaoping's decision in the 1980s to liberalize China's economic infrastructure and turn away from the centralized economic planning of the previous forty years was a revolutionary and practical response to the bleak economic future which China faced in the 1980s. China under Mao Zedong had developed a centralized economic planning and execution infrastructure that was largely adopted from the Soviet Union and followed traditional Marxist-Leninist economic theory. Mao's "Great Leap Forward" of the early 1960s had made some modifications to this economic model but left state ownership of large industries and enterprises coupled with central economic planning as central components of the Chinese economy.

This model remained the basis for the Chinese economy until the 1980s. The notable exception were the years of the Cultural Revolution of the late 1960s/early 1970s which many contemporary Chinese economists regard as a temporary diversion which retarded rather than enhanced Chinese economic growth. The rise of Deng Xiaoping in 1978 as one of the Second Generation powerbrokers ushered in a new era for China. Deng never held the positions of General Secretary of the Communist Party or as premier as head of government. Through his political maneuvering and informal power alliances, Deng was able to become the “paramount leader” in China during the 1980s. He and his political allies were successful in initiating economic reforms which opened China up to foreign investment, increased competition in the growing private sector, and pushed Chinese exports onto the global market.

From an economic perspective, Deng is regarded as the principal catalyst for China’s robust economic growth and for raising the standard of living for millions of Chinese citizens. This success came at a price as many large state-owned economic enterprises either became competitive or extinct. To help pay for these economic reforms, Deng slashed the PLA’s budget by 25% starting in the late 1980s.<sup>3</sup> Over a five year period the PLA was forced to re-examine itself. This self-examination looked at the roles and missions of the PLA as well as the potential future conflicts which China might have to deal with. As a manpower intensive organization, the PLA has always had to contend with a large workforce requiring adequate resources covering facilities, food, health benefits, and pay. The Deng budget cuts provided the impetus for the PLA’s plan to reduce personnel and facilities while shedding itself of excess amounts of outdated military hardware.

## Military Reforms in the PLA

The PLA's reform efforts gained additional momentum in the early 1990s as a result of the PLA's observation of the 1990-1991 Persian Gulf War. The application of advanced technology to the battlefield and the rapid success of the coalition forces over the Iraqis demonstrated to the Chinese that their weapons and hardware inventories needed to be modernized and updated. The PLA's combined force reduction and modernization required money which the PLA did not have. Given the previous budget cuts, the PLA embarked on a business building venture that has had few equals around the world. The early 1990s saw the advent of "PLA Inc." in which the PLA was allowed to commercialize. The PLA was allowed to convert the Chinese military industrial complex into thousands of private business enterprises making commercial goods for domestic and foreign consumers. In addition, the PLA encouraged military units to embark on money-making ventures.<sup>4</sup>

The advent of the PLA's prominence in China's economic sector gained momentum throughout the 1990s as various PLA organizations ranging from tactical units to military region commands entered the marketplace. Businesses ranged from small-time noodle restaurants to luxury hotels. The majority of the businesses were owned by military units below the military region level. The entrance of the PLA into the economy coincided with the explosion of private enterprises which aimed to fill economic voids left by the gaps of the existing economic order. These businesses were aimed at filling gaps in the consumer economy that state-run enterprises either could not or would not compete in. The stores, restaurants, and hotels run by the PLA were not all entirely successful. The majority of these PLA-owned and operated businesses

were successful and the market economy of the post-Deng era allowed profits to accumulate and grow beyond levels which Chinese businessmen were accustomed to.

The PLA's interest in the business community was not confined to the consumer business sector as many PLA units in southeastern China became partners with Taiwanese businessmen who had set-up shop in the area and were rapidly expanding their manufacturing base in both scope and depth. The same open market reforms ushered in during Deng's rule allowed the majority of these private PLA/non-PLA businesses to flourish even after some false starts and reorganizations. These smaller business entities were eventually merged into large business enterprises collectively called the Chinese Military-Business Complex (CMBC). By the late 1990s each of the PLA's 14 top central and regional military commands had two or more of these enterprises.<sup>5</sup> In some cases the monies were re-invested into the businesses. These large profit margins began to eat away at the soul of the PLA by the late 1990s.

The large profits being generated by these businesses became too much of a temptation for some. Corruption began to take hold across the PLA as officers began to devote much of their time and attention to their businesses rather than their military responsibilities. The quest for monetary gain through legal profits became confused with the acquisition of wealth via corrupt practices by these military officers. Two critical elements of Deng's earlier reforms now came home to roost within the PLA's business empire. The first was Deng's unleashing of the public examination (largely via media sources) of corruption in Chinese society (especially in the CCP and PLA). By the late 1990s the media scrutiny of corrupt PLA officials produced evermore tantalizing stories of gross excess and corruption by PLA officers at all rank levels and in all military

regions. With the encouragement of the CCP and senior PLA leadership, media reporting on corrupt PLA officers and soldiers increased dramatically in the 1990s.<sup>6</sup> The second of Deng's reforms stemmed from the emphasis on advanced military hardware procurements at the expense of military pay. For years, senior PLA officers have called for large-scale increases in military pay and benefits. Military officers and soldiers' pay consistently falls below that of their civil servants counterparts with the same seniority. Military pay has also not kept up with civilian pay for commensurate jobs given China's dazzling economic growth.<sup>7</sup>

Both of the above conditions contributed to an atmosphere of greed which began to permeate through the PLA ranks. The ever-increasing reports of corrupt PLA officers across China finally reached the ears of officials in Beijing. The tipping point came when senior PLA officers began to question the readiness of their forces. As previously mentioned, many of the officers who were involved as managers and owner/operators of these businesses began to spend more time at their business. Less and less time and attention were being spent attending to their military units and responsibilities. In another tipping point, the media began to report on officers using their personnel as workers in these various enterprises either with little or no pay in lieu of their regular military obligations. Finally in 1999, Chinese leaders ordered the military to begin divesting itself of the majority of these business enterprises (except for telecommunications). In 1999/2000, the PLA initiated several anti-corruption campaigns aimed at rooting out corruption across the PLA.

The effectiveness of anti-corruption campaigns in modern Chinese society has been questioned both by government officials as well as businessmen. The very

concept of a “campaign” regardless of the type is usually bounded by a period of time with campaigns having a beginning and an end. Past corruption campaigns have been compared in the Chinese media to purges in Maoist China. These campaigns have been viewed as public relations efforts to increase the visibility of the anti-corruption “czar” leading the effort. These past campaigns have also suffered in that the intensity of these short-lived anti-corruption campaigns is short while results in numerous investigations, multiple convictions, and fairly lenient punishments for the offenders. There are three primary organizations for overseeing and enforcing anti-corruption laws in China. These are the Central Discipline Inspection Commission (CDIC); Ministry of Supervision (MoS) and; the Procuratorate. The CDIC is the primary vehicle which the CCP uses to police corruption within the party in China. The National Corruption Prevention Bureau (NCPB) was formed in 2007 as a clearinghouse and coordination body is responsible for information collection and coordination work among the three enforcement bodies.<sup>8</sup>

The CDIC, MoS, and Procuratorate have all been faulted for not sharing resources and information resulting in a backlog of cases. Local officials are often under-staffed to handle the influx of cases that result from these anti-corruption campaigns that in turn produced cursory reviews and subsequent lenient punishments.

The senior leadership in 2002-2003 paused to reflect on the cumulative results from their previous “surge” anti-corruption efforts. The PLA’s anti-corruption efforts were largely focused in two organizations: The General Logistics Department (GLD) and the Securities Department (SD). The SD had overall responsibility for directing and overseeing anti-corruption operations across the entire PLA. The SD was charged to

investigate reports of unethical and corrupt behavior by uniformed officers of the PLA. Most of these anti-corruption cases were opened based on complaints filed to the SD by entities within the PLA and from the general public. The GLD was responsible for investigating corruption charges dealing with military procurement. The PLA's anti-corruption surge of the late 90s/early 2000s produced a mixed bag of results. The PLA could stand justifiably proud of their efforts to wean the PLA from ownership of over 40,000 business entities. The vast majority of the PLA units below the military region level had vacated the marketplace. Gone were the days of prominent public ownership of consumer businesses by the PLA. The PLA was certainly less visible in the public domain but "PLA Inc." was not gone. It had only transformed itself.

While it is true that the PLA was able to rid itself of thousands of consumer businesses there were already signs that the PLA was not become less corrupt but more mature in its business and marketing plans. As previously stated, the PLA was successful in divesting itself from the lion's share of the consumer businesses which it had owned prior to 1998. Less apparent were the cloaked re-designations of some of the businesses from outright PLA ownership to a more nuanced ownership structure where PLA officers used family members to serve as chief operating officers and chief financial officers for these same businesses. This "reflagging" of PLA businesses allowed the PLA to retain a financial toehold in the marketplace while reducing its public image as a major force in the consumer economy of China.

The second post-surge aspect of corruption in the PLA saw the maturity and growth of PLA involvement in larger scale commercial enterprises such as land speculation, mineral rights acquisitions, and joint foreign venture enterprises. The scope

of corruption in the PLA began to grow as the volumes of money involved continued to expand. These enormous sums of money allowed PLA general officers to live and operate in lifestyles that few in China could match. These “capitalist generals” used their power and positions to enrich their families as well as themselves. The first example of this generation was Admiral Wang Shouye of the People’s Liberation Army Navy (PLAN) who was investigated on bribery charges and having five mistresses. Ironically these charges were brought by one of his former mistresses who was distraught after being cast aside by the deep-pocketed admiral. In 2006 he was convicted of corruption and sentenced to life imprisonment.<sup>9</sup>

#### PLA Corruption in Procurement

As lucrative as land speculation could be for a PLA general officer it was in the realm of PLA procurements where corruption on a global scale came to blossom within the last decade. In order to understand the flourishing of corruption in the PLA’s procurement system, it is necessary to go back in time to examine PLA procurement practices and how they evolved over the last 20 years.

Prior to Deng’s rule in the 1980s the PLA received the bulk of its military hardware from state owned enterprises that generally produced higher priced and lower quality items for all of the services within the PLA (The Chinese Army, Navy, and Air Force are all under the PLA organizational umbrella which accounts for names of these services: People’s Liberation Army Air Force (PLAAF) and People’s Liberation Army Navy (PLAN)). Under this system the majority of the PLA’s needs ranging from foodstuff to missiles were procured through a rigid, centralized system under the purview of the GLD. Even today, the GLD is the ultimate authority and director for PLA procurements.

By the end of the Deng years, the PLA had begun to diversify its buying habits. Just as more leeway and latitude were permitted in the growing private sector, so too did the PLA begin to allow military units, at the local level, an increasing degree of independence when it came to some procurements. PLA units at the tactical level were given ever increasing procurement authority over foodstuffs, utilities, fuel, and some real estate. The GLD retained major hardware procurement authority to itself at the national level. This was done for two reasons. The economic opening of China to the West allowed the PLA to begin some limited foreign procurement activities involving weapons and C2 systems that were produced either partially or wholly outside of China. In addition, Chinese foreign policy overtures opened a few doors that had previously been closed. Russia is the most noteworthy example of this expansion. The sale of air defense systems, advanced fighter aircraft, and ships over the past 20 years allowed Russian arms dealers to expand their reach into the PLA.<sup>10</sup>

The PLA's drive to simultaneously downsize and modernize its military capabilities has occurred while China has experienced rapid economic growth. The adoption of anti-area/area-denial (A2/AD) as the central tent of Chinese military strategy has driven the PLA to acquire and integrate military hardware systems such as cruise missiles and strategic Surface-to-Air-Missile (SAM) systems that fit into that strategy. The adoption of A2/AD as a defense strategy has allowed the PLA to justify its personnel downsizing while greatly expanding the volume of military expenditures needed to sustain these A2/AD capabilities. In addition to the weapons systems themselves, the PLA has also found that these military capabilities require a long

logistics and sustainment tail that in some cases is as expensive as the weapons systems they are tied into.

Over the last decade the PLA, largely through the GLD, has discovered just how expensive both the acquisition and sustainment of these modern systems has proven to be. China's military budget has experienced nearly two decades of double-digit growth. The PLA's drive to acquire systems such as fourth/fifth generation fighters with advanced avionics, for instance, has mandated that entirely new acquisition and maintenance models be adopted and put in place. Because the majority of the most sophisticated components for these new systems are acquired outside of China, a modern procurement network is necessary in order to feed the acquisition timeline that the PLA has set forth in its own force modernization strategic plan. The fusing of indigenous with foreign components has created an elongated acquisition network which lends itself to graft and corruption at multiple points along the way. Integrating these new fighters into an Integrated Air Defense System (IADS) also requires that the PLA have advanced command & control (C2) network that fuses targeting, missile tracking, and air surveillance data into one consolidated "system of systems". These complex C2 networks are very dependent on fast, reliable, and flexible weapons management systems. This same model has been applied to China's ballistic missile, cruise missile, and anti-space weapons systems which continue to require ever complex systems in order for the PLA to have an effective and modern battle management network.

#### PLA Corruption in the Maintenance Tail

The PLA's acquisition network continues to provide many opportunities for corrupt PLA officers to enrich themselves. The promulgation of the revised corruption

regulations covering PLA officers and soldiers has allowed the GLD to increase the scope and reach of their anti-corruption efforts within the PLA. While the majority of the cases involved the procurement tail of the acquisition system it is in the maintenance tail where the biggest growth in corruption is expected. The PLA has bought into the concept of a leaner, more technology driven military force. High technology military forces not only require possessing the latest military hardware but the ability to maintain what you acquire. The maintenance and upgrading of these A2AD systems is now starting to eclipse procurement of new systems in terms of the overall PLA budget. While it is difficult to discern given the PLA's lack of transparency, a fair estimate of PLA procurement costs for these newer weapons systems show that they account for nearly 1/3 of the annual PLA budget.<sup>11</sup>

From 2009 onward, the GLD has paid special attention to investigating PLA officers involved in maintenance contracts. These contracts are complex and generally involve high levels of foreign production dependency. The myriad of component acquisition programs for one weapon system alone, for example, makes it extremely difficult to track and monitor these contracts. Thorough investigations are proving to be nearly impossible for the under-staffed and under-resourced organizations responsible for conducting corruption investigations.

#### Results of Anti-Corruption Efforts

A cursory view of current corruption in the PLA might leave one to believe that their efforts are rather hopeless given the ever-growing volumes of money and scale of commercial enterprises. The GLD's anti-corruption track record is not all bleak. When the PLA entered the consumer business market in the early 1990s it was not

uncommon for lower-level military units to contract out their needs to local businesses. This latitude allowed local PLA commanders to seek out local suppliers for their needs. A contract was agreed upon and money was exchanged. There was very little accountability in this system. This system was not only corrupt but horribly inefficient since local commanders often did not always inform their chain of command of the details of these commercial transactions. In addition, it was not uncommon for units in adjoining military regions to purchase the same item or service (sometimes from the same provider) for vastly different amounts of money.

By the late 1990s this lack of oversight came to characterize the national posture regarding corruption in general. It was not until the PLA's divestiture of the majority of their small-scale consumer businesses that proper oversight efforts were initiated. In 2009, the Ministry of National Defense instituted a new system for purchasing weapons that would ensure all deals were transparent and provided value for money.<sup>12</sup> The PLA also instituted a series of organizational reforms aimed at streamlining the acquisition system while strengthening the GLD's oversight responsibilities. The standardization of contracts, a formal review process, and centralized competitive bidding brought about the demise of large-scale corruption at the lower levels of the PLA officer corps.

Fighting corruption has often been compared to fighting unemployment. You can never solve the problem and arrive at zero unemployment or zero corruption. As was mentioned earlier, the historical approach has been to improve upon the situation at hand and make corruption insignificant to the overall success of the organization. For the PLA to succeed in its anti-corruption campaign it must concentrate less on prosecuting wrongdoers and more on creating the conditions where corrupt behavior is

not rewarded or expected by the senior national leadership. Corruption is so deeply rooted in China's fast-paced economy that it is difficult to discern if things are improving. It is clear in China that corruption is part of the marketization process that goes back to the 1980s.<sup>13</sup>

This may sound trite and even a bit smug. Senior GLD leadership, for example, is an excellent case in point. General Liu Yuan was appointed to the position of Director of the GLD in 2010. He has been a vocal and outspoken critic of corrupt behavior in the PLA. His passionate crusade against corruption harkens back to the student protests in Tiananmen Square in 1989. Just as the student saw corruption eating away at the soul in China in the late 1980s so too does Gen Yuan sees corruption as a cancer that is retarding China's drive to modernize its armed forces.<sup>14</sup> His deputy, Lieutenant General Gu Junshan, was detained and then arrested on corruption charges in February 2012. The GLD, as the procurement and primary real estate driver of the PLA, has been characterized in the last few years as the proverbial fox watching the henhouse. General Liu is aware that he is up against some powerful and formidable foes. So far, General Liu has vowed to fight corruption no matter how high up that individual may be in the national hierarchy.<sup>15</sup>

#### Other Factors Complicating China's Corruption Problem

China's rise as a global economic and political power will continue to be the subject of continued study in the years to come. China's rise as a military power will continue to be debated as well as China seeks to establish itself as a regional hegemon in East Asia. The PLA is on a fairly tight timeline out to 2030 to establish itself as the dominant regional military power. It is paramount for China to continue to modernize the PLA as it seeks to mold it into an effective fighting force that can safeguard both China's

independence and ensure internal stability for centuries to come. China's future is best characterized with two opposing drivers: ever increasing military capabilities and ever increasing societal pressures.

The clock is ticking for China. The unprecedented economic growth of the last two decades will not last forever. As long as this positive economic growth continues then China's ability to pay for military modernization will be unaffected. Under this economic forecast, the PLA can achieve effective A2/AD military capabilities that allow it to assume the role of regional hegemon. It will be able to acquire the hardware and supporting mission command structure to effectively negate U.S. and allied efforts to engage China on its periphery. If China's economic growth does not continue at its current pace or slows in the outlying years, then the PLA will find itself under ever increasing fiscal constraints as it competes with other government programs/services. The disturbing demographic trends, however, do paint a much bleaker picture beyond 2050.<sup>16</sup> The greying of China's population means that China's "one-child" policy will place China in the same position that Japan is now facing. With fewer children being born China is going to approach a "4-2-1" model when a much smaller workforce will have to financially support an ever increasing ratio of parents and grandparents.

Even if China suddenly changed its "one child" policy it would take generations for this effect to reverse the projected changes in workforce population. China's restrictive immigration policies and lack of transparency in all facets of government operations coupled with the "one-child" policy means that China must modernize the PLA to a sufficient level by 2030 at the latest. Within the last year the Chinese government reaffirmed the "one-child" policy and upheld restrictive immigration policies,

The working age population in China will start declining starting in 2015 meaning that China will begin to lose its share of the unskilled/semi-skilled workforce.<sup>17</sup> This decline, coupled with the growth of these same labor markets in India and Vietnam, will likely slow Chinese economic growth.

### Conclusion

Can the PLA achieve sufficient force modernization before China's economic engine goes on cruise control? Will the PLA continue to have adequate financial resources before societal pressures force the Chinese government to divert increasing amounts of money to operate expanding social welfare programs? The PLA's stature and position in Chinese society as well as its highly visible role as the guarantor of Chinese security are the key drivers that will provide answers those questions.

Transparency in the PLA is the best tool which the CMC/PLA leadership has at their disposal to fight corruption. The fight against corruption being waged in the PLA by individuals such as General Liu Yuan parallel similar efforts being waged within the CCP by Xi Jinping. The fight against corruption has taken on aspects of an epic struggle for the soul of Chinese society with the PLA being held up as a model. In February 2012, General Liu Yuan stated that China cannot be defeated by any external enemy. The greatest threat to Chinese security does not come from American military power but from internal actors who have elevated self-interest above the needs of the nation. If left unchecked, the PLA will become a "hollow" military force which by 2030 will contain the aspects of a classical "Potemkin village". On the surface it will show all the trappings of a modern military force with the latest weapons, networked technology, and proficient training schedules.

The PLA has taken some baby steps within the past few years to improve on certain aspects of financial accountability for military officers. As of June 2012, PLA officers above the regimental level are now required to report their incomes, real estate assets, and investment information. In addition, the National Defense University recently opened a research institute in November 2011 that is exclusively focused on corruption.<sup>18</sup> These efforts plus new regulations adopted in June 2011 hold some promise for the PLA's fight against corruption. The challenge for the princeling leaders, Gen Liu Yuan and Xi Jinping, are to bring corruption under control where it no longer undermines the authority of the PLA or the CCP.

The PLA runs the risk of becoming an organization whose values do not match those of the nation it serves. It will have become a modern, well-equipped gang whose leadership has no moral compass. Without a soul, the PLA will come to resemble a large, effective, criminal organization that will be impotent and unable to effect mission control for PLA military operations.

With all the challenges that corruption brings, estimates of China's inevitable rise to superpower status rivaling the United States must be tempered. China and, in particular, the PLA both deserve our attention and focus as America rebalances to Asia-Pacific. We must also guard against developing a myopic view of China. Our relations with China must be viewed in a regional context which accounts for China's goals and ambitions regarding territorial disputes, internal stability, and global economic competition. As global competitors we need to improve communications between our military forces and increase the depth and range of opportunities where we can constructively work together in areas of mutual concern. The PLA, for its part, must

firmly establish itself as “the” transparency model in Chinese society. This would be in keeping with both its socialist lineage as the vanguard of the people as well as a return to basic Confucian ideals which continue to gain momentum in Chinese society.

America, for its part, needs to mature its understanding of East Asia as a whole and, specifically, China’s developing regional and global roles. Correspondingly, America’s military and national security organizations need to collectively develop an accurate and evolving understanding of both the substance of the PLA’s capabilities as well as the veneer capabilities presented by the PLA. The degree to which China and America are successful in these endeavors will provide the basis for regional stability and peaceful relations among our countries.

#### Endnotes

<sup>1</sup> John Garnaut, “Rotting From Within: Investigating the Massive Corruption of the Chinese Military,” April 16, 2012, [http://www.foreignpolicy.com/articles/2012/04/16/rotting\\_from\\_within.html](http://www.foreignpolicy.com/articles/2012/04/16/rotting_from_within.html) (accessed January 30, 2013).

<sup>2</sup> “Chinese Leadership Says Fighting Corruption Still A Tough Job,” *New China News Agency*, December 28, 2010.

<sup>3</sup> James C. Mulvenon, *Soldiers of Fortune* (Armonk, NY: M.E. Sharpe, 2001), 53.

<sup>4</sup> Dean Cheng, “The Business of War: The Impact of “PLA, Inc.” on Chinese Officers,” *Joint Forces Quarterly* 56, no. 1 (Winter 2010-11): 95.

<sup>5</sup> “The PLA’s Business Interests.” *Strategic Comments* 3, no. 10 (December 1997): 1.

<sup>6</sup> Robert Slate. “Chinese Role Models and Classical Military Philosophy in Dealing with Soldier Corruption and Moral Degeneration.” *Journal of Third World Studies* 20, no. 1 (2003): 193-224.

<sup>7</sup> Shi Jiangtao, “Troops to Receive Handsome Pay Rise....at Last.” *South China Morning Post*, April 5, 2006, in LexisNexis Academic (accessed December 5, 2012).

<sup>8</sup> Jeffrey Becker, “Tackling Corruption at Its Source.” *Journal of Chinese Political Science* 13, no. 3 (2008): 291.

<sup>9</sup> Clifford Coonan, "Military the Target of Corruption Offensive." *Irish Times*, June 26, 2012, in LexisNexis Academic (accessed January 4, 2013).

<sup>10</sup> Richard D. Fisher Jr., *China's Military Modernization* (Westport, CT: Praeger Security International, 2008), 92.

<sup>11</sup> Minnie Chan, "PLA Streamlines Arms Purchases to Stamp Out Waste and Corruption." *South China Morning Post*, December 2, 2009, In LexisNexis Academic (accessed November 11, 2012).

<sup>12</sup> Minnie Chan, "PLA Streamlines Arms Purchases to Stamp Out Waste and Corruption." *South China Morning Post*, December 2, 2009, In LexisNexis Academic (accessed November 11, 2012).

<sup>13</sup> Kenneth J. DeWoskin & Ian J. Stones, "Facing the China Corruption Challenge." *Far Eastern Economic Review* 169, no. 7 (September 2006): 39, in ProQuest (accessed December 12, 2012).

<sup>14</sup> Hille, Kathrin. "Chinese General Faces Corruption Probe." *Financial Times (FT).com*, (February 1, 2012) in ProQuest (accessed November 12, 2012)

<sup>15</sup> John Garnaut, "Chinese General to Fight Corruption." *Sydney Morning Herald*, January 19, 2012.

<sup>16</sup> Glenn A. Goddard, "Chinese Algebra: Understanding the Coming Changes of the Modern Chinese State." *Parameters* 42, no. 2 (Summer 2012): 17.

<sup>17</sup> Glenn A. Goddard, "Chinese Algebra: Understanding the Coming Changes of the Modern Chinese State." *Parameters* 42, no. 2 (Summer 2012): 19.

<sup>18</sup> Qin Li and Chu Zhenjiang, "Armed Forces Theoretical Research Center on Fighting Corruption and Building Clean Administration Puts Up Its Brass Plate," *PLA Daily*, November 4, 2011, 2.